

Message Text

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PAGE 01 STATE 095738
ORIGIN EB-08

INFO OCT-01 ARA-10 ISO-00 CAB-02 CIAE-00 COME-00
DODE-00 DOTE-00 INR-10 NSAE-00 FAA-00 L-03 NSC-05
SS-15 /054 R

DRAFTED BY EB/OA:MHSTYLES:VLV
APPROVED BY EB/TRA:JRATWOOD
ARA/AND - WSERGEANT
CAB - CCOLDREN (SUB)
ARA - R.G.ARELLANO
-----008488 141421Z /72
R 140028Z APR 78
FM SECSTATE WASHDC
TO AMEMBASSY CARACAS

C O N F I D E N T I A L STATE 095738

E.O. 11652: GDS

TAGS: EAIR, VE

SUBJECT: CIVAIR - PROBLEMS WITH VENEZUELA

REF: CARACAS 3216

1. DEPT APPRECIATES RECEIVING AMBASSADOR'S ASSESSMENT OF CAUSES OF GROWING PROBLEMS IN US-VENEZUELA CIVAIR RELATIONS. VENEZUELAN CONCERN APPEARS TO BE CONCENTRATED ON MANNER IN WHICH US HAS HANDLED SEVERAL TARIFF PROBLEMS, BUT WE SUSPECT THAT CAUSES OF CONCERN ARE MUCH MORE FUNDAMENTAL.

2. HISTORICALLY, VENEZUELA HAS FOLLOWED A PROTECTIONIST AVIATION POLICY. FOR A NUMBER OF YEARS PRIOR TO 1972, US AND VENEZUELA WERE PERENNIALY AT ODDS OVER VENEZUELAN RESTRICTIONS ON PAN AM'S CAPACITY AND ON EXERCISE OF US ROUTE RIGHTS. AMENDED AGREEMENT IN 1972 GAVE VENEZUELA NEW
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ROUTE RIGHTS WHICH VIASA SUCCESSFULLY EXPLOITED TO MAINTAIN A RESPECTABLE MARKET SHARE. CIVAIR RELATIONS WERE REMARKABLY SMOOTH AS A RESULT, WITH LITTLE VISIBLE EVIDENCE OF VENEZUELA'S PAST PROTECTIONIST POLICIES. RECENTLY, HOWEVER, PAN AM HAS ACQUIRED ABOUT 60 PERCENT OF THE MARKET. THIS DEVELOPMENT AND THE ADMINISTRATION'S INTERNATIONAL AVIATION POLICY FAVORING INCREASED COMPETITION WITH ITS

PARTICULAR EMPHASIS ON CHARTER FLIGHTS AND LOW AIR FARES

(STATE 63476) ARE THE MORE LIKELY CAUSES OF THE VENEZUELAN CONCERNS AND OF ITS POSSIBLE RETURN TO PROTECTIONIST POLICIES.

3. DEPT AGREES FULLY THAT IT WOULD BE DESIRABLE TO TAKE PROMPT POSITIVE ACTION TO RESTORE SOUND AVIATION RELATIONS. HOWEVER, IF OUR ANALYSIS IS CORRECT THAT VENEZUELAN HAVE FUNDAMENTAL PROBLEMS WITH US POLICY, A QUICK AND EASY SOLUTION IS NOT LIKELY. FOR EXAMPLE, SOLUTION WOULD NOT BE FOUND IN FURTHER CLARIFYING EXISTING TARIFF PROCEDURES OR IN REDRAFTING THE TARIFF PROVISIONS OF THE BILATERAL AGREEMENT (SECTION VI). VENEZUELAN WOULD WANT CHANGES ENHANCING ROLE OF IATA AND DISCOURAGING COMPETITIVE PRICING WHICH WE COULD NOT ACCEPT.

4. WE AGREE THAT IT WOULD BE DESIRABLE TO SCHEDULE A MEETING TO EXPLORE THE ISSUES IN THE HOPE SUCH A SESSION WOULD AT LEAST CONVINCE VENEZUELAN WE ARE NOT DISREGARDING THEM OR THEIR CONCERNS. AFTER CONSULTATIONS WITH OTHER AGENCIES, WE WILL PROPOSE A SPECIFIC DATE AND VENUE. DEPT WOULD APPRECIATE ANY SUGGESTIONS EMBASSY MAY HAVE IN THIS REGARD. CHRISTOPHER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, AIR TRANSPORTATION, AVIATION AGREEMENTS, AVIATION REGULATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978STATE095738
Document Source: CORE
Document Unique ID: 00
Drafter: MHSTYLES:VLV
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780160-1124
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780454/aaaabtvty.tel
Line Count: 85
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 469601b0-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 CARACAS 3216
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 19 jul 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2961344
Secure: OPEN
Status: NATIVE
Subject: CIVAIR - PROBLEMS WITH VENEZUELA
TAGS: EAIR, VE, US
To: CARACAS
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/469601b0-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014